GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:2218
ANSWERED ON:17.03.2005
PRODUCTION SHARING CONTRACT BETWEEN ONGC AND CAIRON ENERGY
Paswan Shri Sukdeo;Yadav Shri Ram Kripal

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether there is any difference between ONGC and Cairon Energy for their production sharing contract in Rajasthan;

(b) if so, whether under the agreement, ONGC is losing US$ 340 million; and

(c) if so, the remedial measures being taken in the matter?

Answer

MINISTER OF PETROLEUM & NATURAL GAS AND PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

(a) to (c) The Government of India have a Production Sharing Contract (PSC) with M/s. Cairn Energy (acting through its two subsidiaries) and ONGC for block RJ-ON-90/1 falling in the Barmer district of Rajasthan.

The PSC provides for the rights and obligations of the respective parties viz. Government, ONGC and Cairn Energy. As per the provisions of the PSC, ONGC, being the licensee, has the liability to pay royalty and other charges levied in accordance with the Oilfield (Regulation and Development Act), 1948 and the Petroleum & Natural Gas Rules, 1959, as amended from time to time.

Cairn Energy and ONGC are reported to be having some differences on the liability for the cess levied under the Oil Industry (Development) Act, 1974, on crude oil under the PSC. In this regard, the position of the Government has been made clear after getting an opinion from the Ministry of Law. In terms of their legal opinion, the liability for cess on crude oil is of the producer, which, under the PSC, is the contractor. There is no provision under the PSC by which liability for the cess can be passed to the licensee i.e. ONGC.